

ICPS newsletter

Baltic States Support Ukraine on its Way towards European Integration

The Baltic States have welcomed the European integration of Ukraine and are ready to assist Ukraine in the process of becoming an associated and potentially full EU member in the future. This was the major issue at the conference "Ukraine's European Choice: Baltic Dimensions", which took place on May 3-4 in Kyiv.

The Baltic Dimension is important

The Baltic States are the only EU Associates among former Soviet countries, and Estonia has already begun full EU Member negotiations. Being at the initial stage of EU integration, Ukraine strives to deepen and develop its cooperation with the Baltic States, viewing them as reliable partners for EU integration and future EU members, which can share their rich integration experience. Weighing on the fact that Ukraine and the Baltic States share a Soviet past, this experience is of major importance.

For this reason, the aim of the conference was not only to gain political support from the Baltic States regarding Ukraine's EU integration, but also, Ukrainian participants were interested in knowing the practical experience of the process of European integration as well as discussing the

prospects of Baltic-Black Sea cooperation.

The Baltic States could already share their EU integration experience

During the eight years since the breakdown of the Soviet Union, the Baltic States actively gained practical experience of EU integration. The most important areas of studying this experience for Ukraine are the following:

- organization of analysis for the possibilities and consequences of Acquis (EU legislative norms) implementation;
- methodological preparation of the national Acquis implementation programs, consequent annual activity plan, monitoring, revisions and realization coordination;
- creation of an adaptation system of the national legislation to the norms and standards of the EU;

Last Week

Ways of Strengthening the Banking Sector in Ukraine.

The topic of the economic seminar that took place on May 11 was "Analysis of the Banking Sector: Macroeconomic Aspects".

Experts Khwaja M. Sultan and Dimitar Mishev of the Harvard Institute for International Development (HIID) have indicated in their speeches that the banking sector is not growing in Ukraine for the following reasons: (1) the existence of kartoteka-2, allowing banks to act as tax collectors; (2) weak implementation of banking regulations (a number of small banks which cannot achieve economies of scale, even the largest banks have not met the reserve requirement ratio); (3) low credibility of depositors to banks (increases the costs of deposits) and low credibility of banks to borrowers (raises the credit interest rates); (4) high devaluation risk.

The following steps, according to the HIID experts, could strengthen the banking sector in Ukraine: (1) need to improve government credibility (being diminished by devaluation and forced conversion of OVDP); (2) need to improve bank credibility (by means of encouraging foreign bank activity); (3) remove kartoteka-2; (4) develop a system of collateral and land markets, institute effective bankruptcy procedures; (5) further liberalize foreign exchange operations; (6) encourage consolidation of banks.

Next Week

Reform effectiveness in the agricultural sector.

The ICPS macroeconomic seminar to be held on May 25 will host a discussion of the theme "Agricultural Sector: Reforms and Their Effectiveness". Speakers will be Volodymyr Demyanchuk (Head of the Secretariat of Agrarian Policy Commission under the President of Ukraine) and Olga Kvalenko (Manager of Strategic Development of the Agrarian Policy Commission under the President of Ukraine).

Institutional Provision of Integration: Lithuanian Experience

In March 1997, in order to carry out EU accession, a relevant institutional framework has been created in Lithuania. The organizational framework was put in place through the complete reorganization of the Governmental European Integration Commission chaired by the Prime Minister. The delegation for the Preparation for Accession Negotiations has been set up, comprising 38 representatives from all key ministries and departments.

The European Committee under the Government of Lithuania is responsible for coordinating Lithuania's international preparations for UE accession, including control over implementing national EU integration programs; it is also carries out the functions of the European Integration Commission's secretariat and supervises the implementation of its decisions.

The Ministry of Foreign Affairs retains the overall responsibility for the European integration process and concentrates on the following major areas: (1) preparations for EU accession negotiations, (2) fulfillment of the Europe Agreement; (3) political cooperation; (4) trade with the EU; (5) coordination of technical assistance, including PHARE.

The main task of another relevant body - the European Law Department under the Lithuanian Government - is to verify whether Lithuanian draft laws fully comply with the requirements of EU law. Without the positive conclusion of this Department, no draft law of the Government's regulation of normative nature can be considered at the Government sitting (and, consequently, at the Parliament sitting).

- organization of cooperation with the EU concerning the preparation of the evaluation document Opinion, answering the question whether a country could become a member of the EU;

- methodology for planning and control expenses during the integration process;
- strengthening of societal support of European integration.

Baltic and Black Sea cooperation has an enormous potential

At the conference, the following top priority areas in Baltic-Black Sea cooperation were pointed out:

- political dialogue on security, regional and European integration issues;
- sub-regional economic collaboration, aimed at removing trade and investment barriers, in particular movements of goods and standardization and certification procedures;
- struggle with organized crime, illegal migration, improving the efficiency of frontier control;
- development of a transport and energy infrastructure.

Development of Ukraine - EU Relations: Baltic Politicians' Points of View

The further development of Ukraine-EU relations, according to Mr. Kesteris (Undersecretary of State, Ministry of Foreign Affairs), depends on two interconnected aspects: (1) a consistent and active policy towards Ukraine; (2) Ukraine's internal reforms and foreign policy towards EU countries.

Mr. Serksnys (Deputy Minister of Foreign Affairs of Lithuania) considers Ukraine's involvement in the framework of the CIS a potential problem for developing relations between Ukraine and the EU. In Mr. Sherkshis' opinion, rapid movement of Poland and Hungary towards the EU will quickly change the geopolitical situation in the region, pushing Ukraine toward European integration.

Traffic flows along the Baltic-Black Sea axis are constantly growing. For example, the volume of rail-road deliveries between Lithuania and Ukraine went up by 14% in 1998. This region is crossed by several important transportation corridors, in particular IX Klaipeda-Odesa and the corridor TRACECA, connecting Central Asia and European countries. In addition, it is important for Ukraine to construct the Gdansk-Odesa oil pipeline, which will help diversify sources of oil supply in Ukraine.

The conference "Ukraine's European Choice: Baltic Dimensions", Kyiv, 3-4 May, 1999.

Organizers: International Centre for Policy Studies and RAND (USA). Participants: Serhiy Tyhypko, Deputy Prime Minister of Ukraine; Guntars Krasts, Deputy Prime Minister of Latvia; Algirdas Brasauskas, former President of Lithuania; Yevhen Bersheda, First Deputy Minister of Foreign Affairs of Ukraine; Alar Streimann, Vice Chancellor, Ministry of Foreign Affairs of Estonia; Andris Kesteris, Undersecretary of State, Ministry of Foreign Affairs of Latvia; Gediminas Serksnys, Deputy Minister of Foreign Affairs of Lithuania; Mirab Antadze, Deputy Minister of Foreign Affairs of Georgia, and others.

New Guidelines of ICPS Work Presented to the Supervisory Board

On May 11, the first meeting of the Supervisory Board of the International Centre for Policy Studies took place.

Like the previous one, the new Board is headed by Bohdan Hawrylyshyn. Members of the ICPS Supervisory Board are:

- Jim Bown, Chief Representative of BP Exploration in Ukraine;
- Yevhen Bersheda, First Deputy Minister of Foreign Affairs of Ukraine;
- Viacheslav Brukhovetsky, President of NAUKMA;
- Marek Dabrowski, Vice Chairman of the Centre for Social and Economic Research;
- Yuri Yekhanurov, MP;
- Ihor Mitiukov, Minister of Finance of Ukraine;
- Svitlana Oharkova, General Director of "Techno Ukraine";
- Stewart Paperin, Executive Vice President of the Open Society Institute;
- Valentyn Symonenko, Chairman of the Accounting Chamber of Ukraine;
- Serhiy Tyhypko, Deputy Prime Minister of Ukraine;
- Ihor Shumylo, Deputy Minister of Economy of Ukraine;
- Victor Yuschenko, Chairman of the National

Bank of Ukraine.

Vira Naniivska, Director of the International Centre for Policy Studies, emphasized in her speech for the Supervisory board that at the present time, the main role of ICPS is to bring to the Ukrainian public the notion of "a democratic process of decision-making". This process requires special policy studies and broad public dialogue concerning (1) objectives, (2) problems that hamper the success of these objectives, (3) possible decisions and their consequences, (4) long- and short-term prices society pays for these decisions. In the opinion of Mrs. Naniivska, even a will-possessing and resolute government would not be able to carry out reforms under the existing conditions of opposition, parliament, and freedom of speech without analytical support.

According to Mrs. Naniivska, the ICPS philosophy is based on the principle that there are no "righteous" governments to be found in the world. The quality of a government is dependent upon the quality of public pressure placed on the government. It

was marked that the government cannot, like Munchausen, lead itself, or in other words, the government is not able to reform itself by its own will. The absence of new government functions is explained rather by old behavior, old skills and incorrect understanding of the proper current duties of officials in the government and society. Public Voice is a new project aimed to assist the government in establishing a working feedback system for government service consumers. Since April, ICPS and local bodies have been working on this project, which is performed with technical assistance from the World Bank and is financed by the Canadian Agency for International Development. Within the framework of the project, surveys will be conducted on the quality of government services, and recommendations on particular activities of local bodies would be elaborated. The results of these surveys will be disseminated among the public. The first pilot project has already started in Ternopil.

The members of the Supervisory Board discussed the ICPS Director's report and reports by project managers, and adopted the next meeting to be held in November.

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